



Market Observations: New Zealand Year ended 30 June 2014

NZVCA/S&P Capital IQ

Executive Summary

This report analyses the New Zealand M&A and private placement markets over the last five years, including the contribution of private equity (PE) to overall deal activity.

Key observations for FY2014:

- Total number of M&As and private placements completed in FY2014 remained at similar levels to FY2013, but lower deal value due to increasing number of smaller size deals.
- The mid-market (NZ\$50m-NZ\$250m) showed a large year-over-year decline, recording a 60% fall in volume and an 85% fall in value since the peak FY2013.
- Most significant M&As and private placements were completed in the June Quarter 2014, auguring an upward trend to the next year.
- Financials sector replaced Consumer Discretionary sector as the dominating sector in New Zealand in FY2014 by both volume and size.
- The largest deal in FY2014, IAG (NZ) Holdings Limited acquired Lumley Insurance Group, Lumley General Insurance (N.Z.) and WFI Insurance Limited from Wesfarmers Limited (ASX:WES) on June 30, 2014 with NZ\$2.00b Cash.
- Three of the largest deals included PE as buyer: AMP Capital acquired 42% of Powerco on November 29, 2013; In the 2013 June Quarter, Xero Limited received proceeds of NZ\$180m through private placement; and Riverside acquired Simcro Limited from John Dennehy on July 8, 2013.

Notes:

All currency units are in local currency unless stated otherwise.

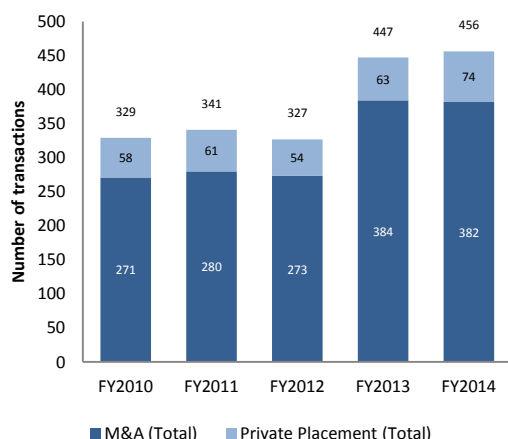
All transactions refer to completed/closed transactions unless indicated otherwise. Transaction locations refer to the country where the target company is headquartered.

All data used in this report is sourced from S&P Capital IQ. This report represents the data available as of 30 June 2014. There may be some differences compared to PE statistics published elsewhere by NZVCA. These differences arise because of different definitions of PE: S&P Capital IQ's definition may include, for example, investments in unquoted securities made directly by institutional investors, infrastructure and real estate PE funds.

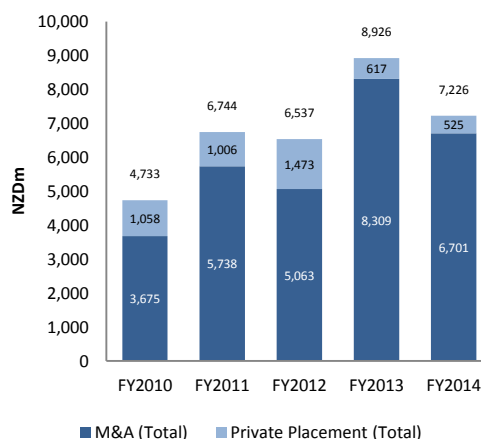
As with most transaction databases, historical data is updated when new or improved information becomes available. Therefore, the historical data presented in this report may differ from previous years' editions due to the incorporation of improved information on older transactions.

Trends in transaction activity

Number of M&As and private placements



Value of M&As and private placements

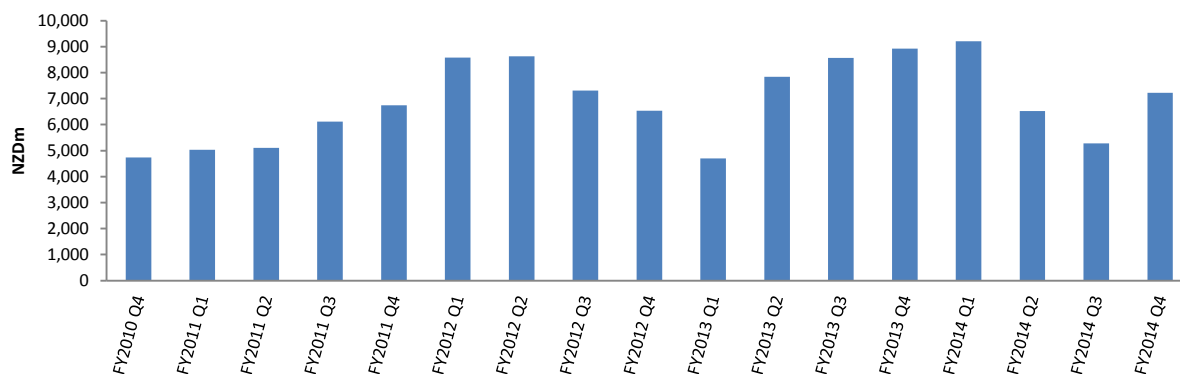


Total number of M&As completed in New Zealand in FY2014 were generally at similar levels with the previous year. However, the value of deals lowered by 19% to NZ\$6.70b from NZ\$8.31b last year.

Total number of private placements increased 17% in FY2014, but total transaction value decreased by almost 15% to NZ\$525m, a historic low over the past five years.

Average transaction size

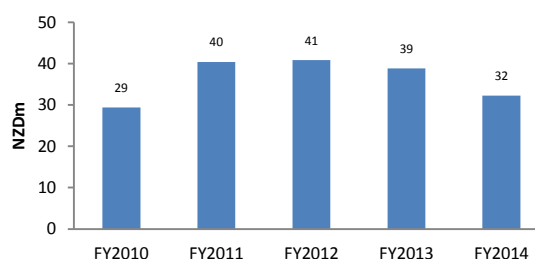
Total Transaction Value: 12-month moving annual totals (MATs) (New Zealand)



Note: Inclusive of M&As and private placements.

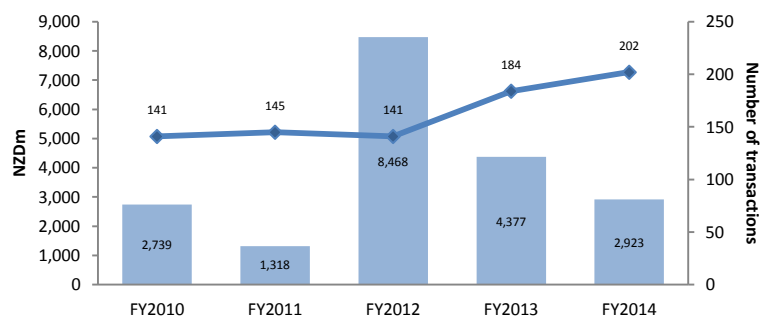
Moving annual totals (MATs) of the value of closed deals shows the market has been volatile over the past few years, whilst indicating a growing trend. The average deal size in FY2014 decreased slightly to NZ\$32m, down from NZ\$39m in FY2013. This is due to a larger number of smaller size deals.

Average M&As and private placements transaction value for closed deals

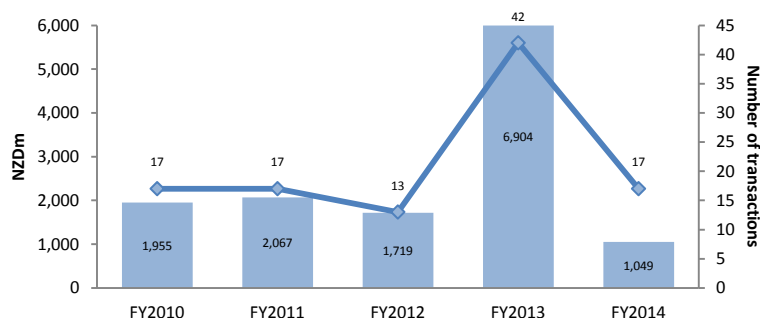


Trends by transaction size

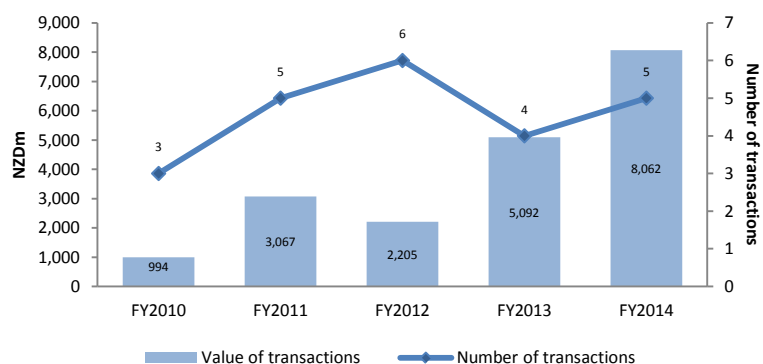
M&As and private placements ≤\$50m



M&As and private placements between \$50m and \$250m



M&As and private placements >\$250m



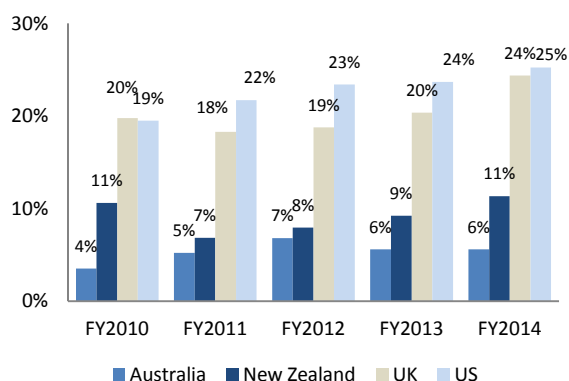
A breakdown of deal trends by transaction size shows that smaller deals (with enterprise value <\$50m) continued declining from FY2012. We saw 33% and 65% decreases in FY2014 in terms of deals implied enterprise value, compared to FY2013 and FY2012 respectively, however the number of deals showed an upward trend.

The mid-market (\$50m-\$250m) showed a large year-over-year decline, recording a 60% fall in volume and an 85% fall in value since the peak FY2013. FY2014 figures have also hit their lowest levels in the past five years.

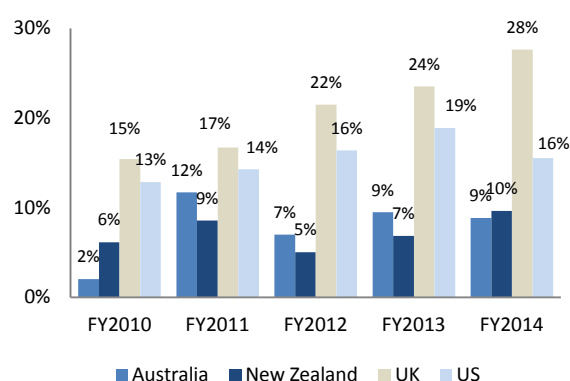
The larger end of the market (>\$250m) showed a recovering trend. Number of deals hiked up to 5 deals in FY2014, with total value rising by 58% to NZ\$8.06b. This is mainly due to 2 major deals, Wesfarmers Limited, Insurance Underwriting Businesses with Total transaction value NZ\$2.00b, and Transpacific Industries Group (NZ) Limited NZ\$0.95b in the June Quarter 2014.

PE as a % of total transactions

No. of PE transactions as a % of total transactions



Value of PE transactions as a % of total transactions



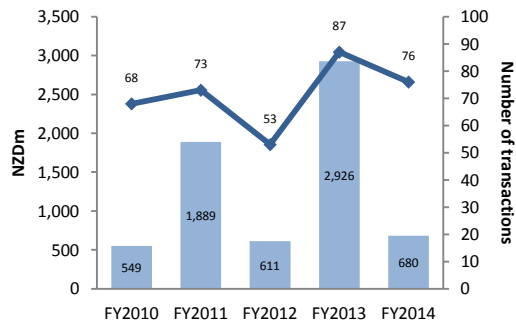
Note: Based on local currencies, and calculated as a percentage of total M&As and private placements. The percentages have been rounded to the nearest whole number. Excludes infrastructure, property and forestry transactions.

PE deals in New Zealand made up 11% of all deals in FY2014, and contributed 10% of total deal value for the year. This has shown a rise from FY2013. By way of comparison, PE tends to contribute a greater percentage of deals in New Zealand than Australia. However in FY2014, nearly a quarter of transactions in the US and UK involved PE buyers, which suggests that there is still considerable headroom for PE to invest in the New Zealand market.

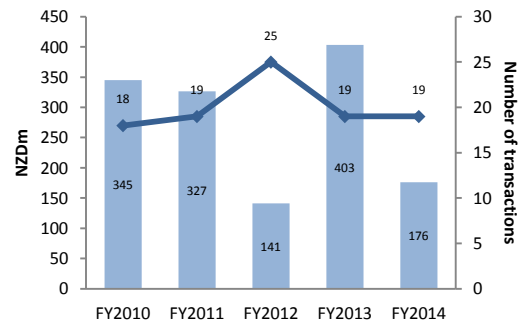
New Zealand saw a slightly higher PE contribution of 10% to overall deal value in FY2014. The share of PE-sponsored UK deal value has also steadily increased in the last five years, rising to 28% in FY2014. This increase has been driven by both domestic and international PE firms (e.g. London-based CVC Capital Partners' £750m acquisition of Domestic and General, and the £935m joint bid for Vue Entertainment by OMERS Private Equity and AIMCo, both based in Canada).

Sectoral breakdowns

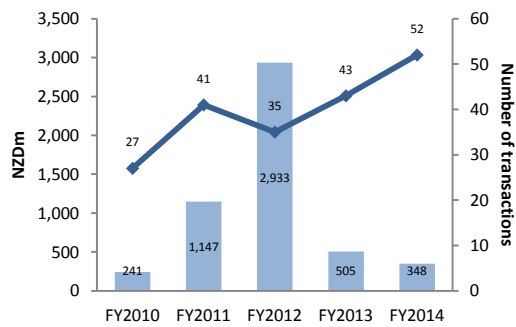
Consumer Discretionary



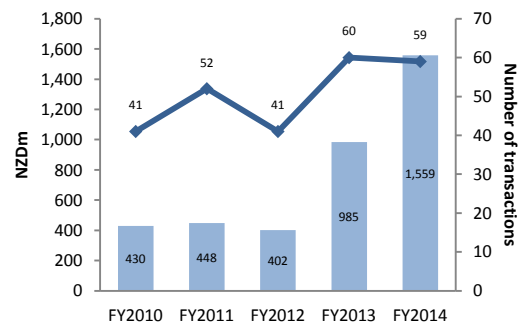
Healthcare



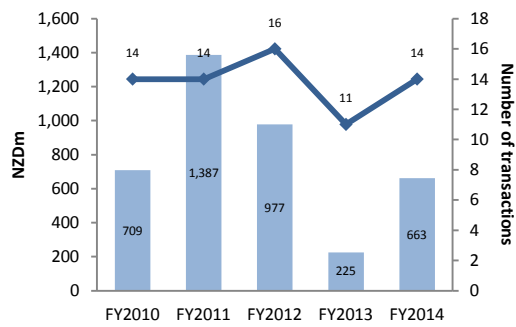
Consumer Staples



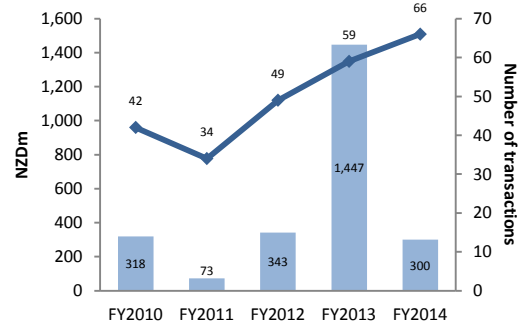
Industrials



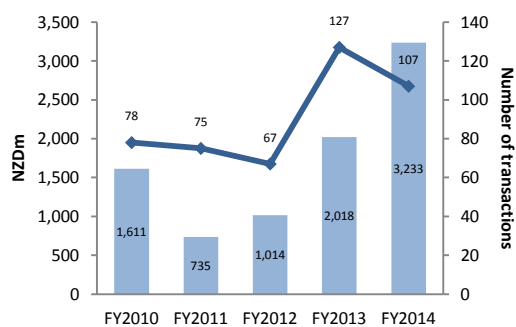
Energy & Utilities



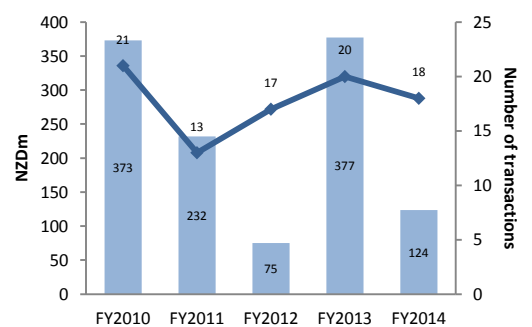
IT & Telecommunications



Financials



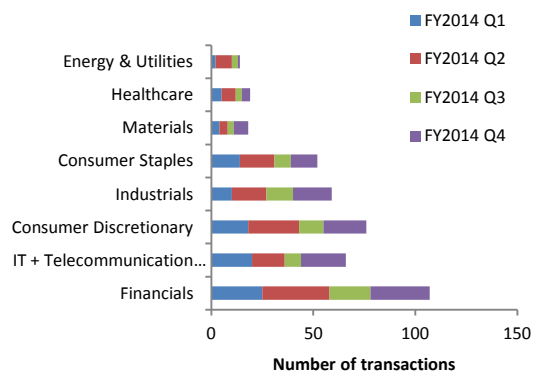
Materials



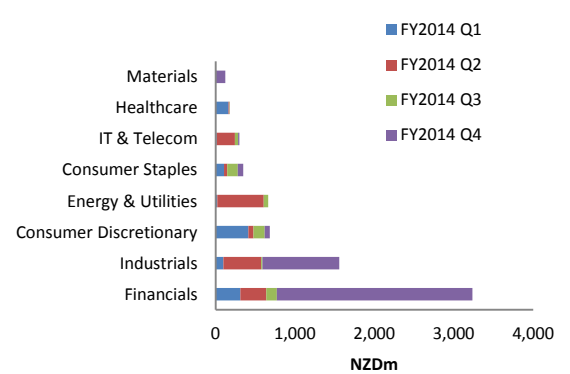
■ Value of transactions ◆ Number of transactions

Note: Inclusive of M&A and private placements.

Number of total M&As and private placements by sector in FY2014



Value of total M&As and private placements by sector in FY2014



Financials sector replaced Consumer Discretionary sector as the dominating sector in New Zealand in FY2014 by both volume and size. It is accounting for almost half (46%) of the total deal value. This was largely attributable to the deal IAG (NZ) Holdings Limited acquiring Lumley Insurance Group, Lumley General Insurance (N.Z.) and WFI Insurance Limited with total transaction value NZ\$2.00b.

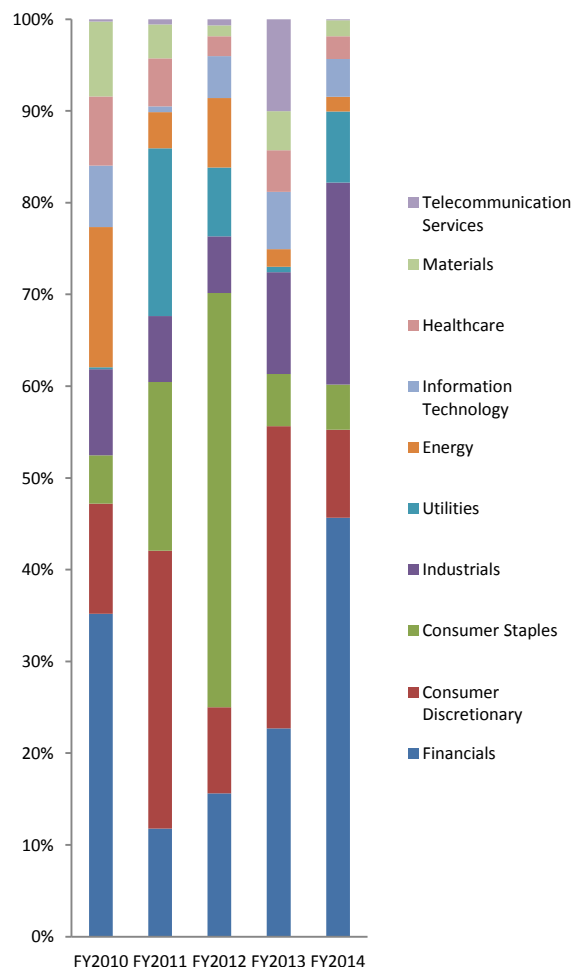
Industrials is the second most active sector composing 22% of the total deal value with 59 transactions in FY2014.

Both Financials and Industrials rose to their highest level in the last five years, with about 60% yoy growth in FY2014 (60% Financials; 58% Industrials).

However, all other sectors are not as active after the FY2013 boom. Most of them have returned to FY2012 levels. And the Consumer Staples sector saw another drop in average deal size with no significant large deals.

Most large deals were closed in the 2014 June Quarter which points to an upward trend for the next year.

Value of total M&As and private placements breakdown by sector



Top 10 deals by transaction value (FY2014)

Quarter	Target	Transaction Value (NZDm)	Buyers/Investors	Sector
FY2014 Q4	Wesfarmers Limited, Insurance Underwriting Businesses	2,001.83	IAG (NZ) Holdings Limited	Financials
FY2014 Q4	Transpacific Industries Group (NZ) Limited	950.00	Beijing Capital Group Co., Ltd.	Industrials
FY2014 Q2	Powerco Limited	525.00	AMP Capital	Utilities
FY2014 Q2	Air New Zealand Limited	365.21	New Zealand firms and offshore institutions	Industrials
FY2014 Q1	EziBuy Limited	350.00	Woolworths Limited	Consumer Discretionary
FY2014 Q2	Xero Limited.	180.00	Matrix Capital ; Valar Ventures	Information Technology
FY2014 Q1	Simcro Limited	150.00	The Riverside	Healthcare
FY2014 Q1	Tower Limited, Most of Life Insurance Business	145.00	Fidelity Life Assurance Company Limited	Financials
FY2014 Q4	Office Complex at 205 Queen Street, Auckland	103.80	Auckland City Holdings Limited	Financials
FY2014 Q4	China Merchants Pacific (NZ) Limited	100.01	China Merchants Properties Development Limited	Financials

PE was involved as buyer in the three largest deals. AMP Capital acquired 42% of Powerco on November 29, 2013; In the December Quarter 2013, Xero Limited proceeded of NZ\$180m through private placement; and Riverside acquired Simcro Limited from John Dennehy on July 8, 2013.

Another deal worth highlighting was Catalyst Investment Managers exiting from EziBuy Holdings by selling it to Woolworths Limited (ASX:WOW). Catalyst entered EziBuy in February 2007 and exited the holding in August 2013.

Definitions

Financial years: Year ending 30 June of each year.

M&A: The acquisition of controlling equity stakes by purchasing existing securities.

Private placement: The private sale of newly issued securities (equity or debt) by a company to a selected investor or a selected group of investors. These are often minority stakes (under 50%), although it is possible to take control of a company through a private placement as well.

Initial Public Offering (IPO): First sale of a corporation's common shares to public investors. The main purpose of an IPO is to raise capital for the corporation. While IPOs are effective at raising capital, they also impose heavy regulatory compliance and reporting requirements.

Transaction date: The date the transaction is completed.

Transaction value: The sum of the total consideration paid to shareholders, total net assumed liabilities (when the deal is for more than 50% of the company) and cash. For private placements, it refers to the gross proceeds raised in cash.

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